

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2448 - HB 2583

February 23, 2012

**SUMMARY OF BILL:** Reduces the amount of health insurance benefits paid on behalf of certain state officials participating in the state employee health insurance plan by an amount equal to \$100,000,000 for FY12-13.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Expenditures - \$3,637,200/FY12-13**

**Other Fiscal Impact – The bill requires health insurance benefits paid on behalf of a specific group of state officials to be reduced by \$100,000,000 in FY12-13. The specified state officials only receive approximately \$3,637,200 in state contributions. To meet the \$100,000,000 reduction, \$96,362,800 in state contributions to enrollees in the state employee group health plan will need to be reduced.**

Assumptions:

- Benefits will be reduced for Members of the 108<sup>th</sup> General Assembly, former members of the General Assembly, and executive officials in the executive branch, including: the chief executive officer of each board, commission, agency, and authority; the commissioner, the deputy commissioner or equivalent, and any assistant commissioner or equivalent of each department or agency; and the staff directors in the Governor's office.
- According to the Department of Finance and Administration, the state contribution for the current enrollment of the 113 current Senators and Representatives in the state sponsored health plan is \$1,252,000.
- According to the Department of Finance and Administration, former members of the General Assembly and former Governors pay a service-based portion of the monthly premium for coverage: 20 percent for 30 or more years; 30 percent for 20 to 29 years; and 40 percent for less than 20 years of service.
- There is no direct contribution for the portion of the premium not provided under the contribution levels applicable to qualified retirees; effectively the plan absorbs the unpaid portion of the premium. Additionally, retirees have higher per capita benefit payments and that higher average expense is also absorbed by the plan and all of its

participants. The net impact of the higher benefit payments and the service-based contribution level is estimated to be \$865,332.

- According to the Department, based on the enrollment profile of employee participants in the state plan for January 2012, the estimated annual employer contribution per enrollee is \$9,743.
- According to the Department, the number of employees holding one of the included positions totals 156. The estimated reduction of benefits for this group will be \$1,519,908 (\$9,743 x 156 employees).
- The total decrease in state expenditures for the reduction of benefits to the state officials included in the proposed legislation is estimated to be \$3,637,240 (\$1,252,000 + \$865,332 + \$1,519,908).
- In order to meet the \$100,000,000 reduction as required by the provisions of the bill, the state would have to reduce health insurance contributions for state employees by a total of \$96,362,760 (\$100,000,000 - \$3,637,240) or full benefits for approximately 9,890 additional state employees  $[(\$100,000,000 - \$3,637,240) / \$9,743]$ .

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', written in a cursive style.

Lucian D. Geise, Executive Director

/kml